

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 20, 2008**

Project Number CA-2008-887

Project Name Tassafaronga Village Phase 1
Address: 919 85th Avenue
Oakland, CA 94621 County: Alameda

Applicant Information

Applicant: Housing Authority of the City of Oakland, California
Contact Jon Gresley
Address: 1619 Harrison Street
Oakland, CA 94612
Phone: (510) 874-1510 **Fax:** (510) 587-2145
Sponsors Type: Nonprofit

Bond Information

Issuer: Oakland Housing Authority
Expected Date of Issuance: October 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$57,068,918
Requested: \$57,068,918
Maximum Permitted: \$109,857,408

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
95% of Upper Floor Units are Elevator-Serviced: 10%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 22%
55-Year Use/Affordability Restriction - Each 2% of Low-Income Units are Income Targeted at 35% AMI or Below: 42%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,507,608	\$0
Recommended:	\$2,507,608	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt/ Project Based Section 8
HCD MHP Funding: Yes
Total # of Units: 137
Total # Residential Buildings: 14

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 136 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 87
Number of Units @ or below 60% of area median income: 49

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 One-Bedroom	20%	\$323
5 One-Bedroom	50%	\$807
6 One-Bedroom	55%	\$888
8 Two-Bedroom	20%	\$387
3 Two-Bedroom	30%	\$581
6 Two-Bedroom	50%	\$968
31 Two-Bedroom	55%	\$1,065
5 Three-Bedroom	20%	\$440
7 Three-Bedroom	30%	\$671
13 Three-Bedroom	35%	\$783
19 Three-Bedroom	50%	\$1,119
12 Three-Bedroom	55%	\$1,231
16 Four-Bedroom	30%	\$749
1 Two-Bedroom	Manager's Unit	\$942

The general partner or principal owner is Tassafaronga Housing Corporation.

The project developer is Oakland Housing Authority.

The management services will be provided by The John Stewart Company.

The market analysis was provided by Bay Area Economics.

The Local Reviewing Agency, the City of Oakland – Community & Economic Development Agency, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$60,553,814 Per Unit Cost: \$441,999 Construction Cost Per Sq. Foot: \$288

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank – Tax Exempt Bonds	\$30,000,000	Citibank	\$4,579,000
CalHFA HELP	\$1,000,000	Citibank (Sec 8 Increments)	\$4,037,000
Oakland CEDA	\$3,000,000	HCD - MHP	\$10,000,000
Oakland Housing Authority	\$12,562,122	CalHFA HELP	\$1,000,000
Deferred Developer Fee	\$1,300,000	Oakland CEDA	\$3,000,000
Investor Equity	\$11,160,829	Deferred Developer Fee	\$1,300,000
		Oakland Housing Authority	\$14,091,599
		Investor Equity	\$22,546,215
		TOTAL	\$60,553,814

Determination of Credit Amount(s)

Requested Eligible Basis:	\$57,068,918
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$74,189,594
Applicable Rate:	3.38%
Total Maximum Annual Federal Credit:	\$2,507,608
Approved Developer Fee:	\$2,312,334
Tax Credit Factor: Apollo Equity Partners	\$0.8991

Applicant requests and staff recommends annual federal credits of \$2,507,608 based on a qualified basis of \$74,189,594 and a funding shortfall of \$22,546,215.

Cost Analysis and Line Item Review

The requested eligible basis \$57,068,918 is below TCAC's adjusted threshold basis limit \$109,857,408. The basis limit includes the adjustment for extraordinary features for: projects that are required to pay state or federal prevailing wages, projects that include 95% of upper floor units are elevator-serviced, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, for exceeding Title 24 by at least 15%, using CRI Green Label Plus Carpet or no carpet in all bedrooms, and using vent kitchen range hoods to the exterior of the building in at least 80% of the units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one.

Staff has calculated federal tax credits based on 3.38% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$2,507,608	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credits when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: The applicant/owner is required to provide the tenants with high speed internet and educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Velia Martinez